

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4705-01
Bill No.: SB 1355
Subject: Department of Elementary and Secondary Education; Early Childhood
Type: Original
Date: March 16, 2004

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| General Revenue | (Greater than \$100,000) | (Greater than \$100,000) | (Greater than \$100,000) |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | (Greater than \$100,000) | (Greater than \$100,000) | (Greater than \$100,000) |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|----------------|------------------------|---------------------------------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Insurance Dedicated | \$8,000 | \$0 | \$0 |
| First Steps | \$0 | Up to \$500,000 | \$2,000,000 to \$3,000,000 |
| Total Estimated Net Effect on Other State Funds | \$8,000 | Up to \$500,000 | \$2,000,000 to \$3,000,000 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Federal* | \$0 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

*Offsetting Income and Costs greater than \$150,000 would net to zero

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of State Treasurer, Department of Mental Health, Department of Health and Senior Services, Department of Social Services - Office of Early Childhood, and Department of Conservation** state this proposal will have no fiscal impact on their agencies.

Officials from the **Department of Transportation - Highway and Patrol Medical Plan** stated the Highway and Patrol Medical Plan is not included in the list of entities required to provide reimbursement coverage outlined in Section 104.801, therefore this proposal will have no fiscal impact on the medical plan.

Officials from the **Office of Secretary of State (SOS)** assumed the rules, regulations and forms issued by the Department of Elementary and Secondary Education could require as many as 12 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27.

ASSUMPTION (continued)

The actual costs could be more or less the SOS's estimated cost of \$738 for FY 2005. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Insurance (INS)** estimate 160 insurers and HMOs would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

INS is not requesting additional staff or expenses with this proposal, but if multiple proposals would pass during the legislative session which require policy form reviews INS would request additional staff to handle increase in workload.

Official from the **Department of Social Services - Division of Medical Services (DMS)** assume that any changes made to Section 376, RSMo applies to Medicaid.

DMS contracts with managed care health plans to provide medical assistance to individuals eligible under Section 208.151. The managed care health plans are subject to the proposed legislation. Speech and language therapy, occupational therapy, and physical therapy included in the IFSP is carved out of the MC+ managed care contracts and reimbursed through fee-for-service. The proposed legislation would require those services to be included in the MC+ managed care contracts. A 1915(b) waiver modification request would have to be submitted to CMS for their review and approval. The MC+ managed care contracts would have to be amended and the actuarial consultant for DMS would renegotiate the current contracts with the managed care health plans. The managed care capitated rates would increase due to the added service at an unknown cost. Also, notification would have to be prepared and sent to all managed care enrollees. Therefore, the estimated fiscal impact to the DMS is unknown greater than \$250,000.

Officials from the **Department of Elementary and Secondary Education (DESE)** provided the following estimates of fiscal impact:

ASSUMPTION (continued)

ESTIMATED 2005 FISCAL IMPACT: This proposal will not generate any revenue for FY 2005. This is due to the fact that no existing health insurance policy covers early intervention (EI) services. Once the legislation becomes effective, as policies are renewed or new policies issued, the number of children with EI coverage would begin to increase thereby generating an increasing amount of revenue as the law takes full effect. Currently, \$6.0 million of the \$8.7 million increase to the core appropriation request for 2005 is to come from this source.

ESTIMATED 2006 FISCAL IMPACT: If this legislation is implemented in FY 2005, the impact to First Steps Program revenue could be as much as \$500,000.

ESTIMATED 2007 FISCAL IMPACT: If this legislation is implemented in FY 2005, the impact to First Steps Program revenue should begin to see significant revenue (\$2 -3 Million) from family cost participation and third party insurance recovery in FY 2007 flowing into the newly created First Steps Fund. If the legislature elects to appropriate the revenue in the First Steps Fund in the following fiscal year received, it will be FY 2008 before these funds will impact First Steps program funding.

ESTIMATED COST TO IMPLEMENT: No significant cost based on Department of Elementary and Secondary Education data.

Officials from **Missouri Consolidated Health Care** did not respond to a request for fiscal note.

This proposal would increase Total State Revenue in FY 06 and FY 07.

| <u>FISCAL IMPACT - State Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
|---|---------------------|---------|---------|
|---|---------------------|---------|---------|

GENERAL REVENUE

| | | | |
|---|-----------------------------|-----------------------------|-----------------------------|
| Cost - Department of Social Services - Medical Services - Program Cost | (Greater than \$100,000) | (Greater than \$100,000) | (Greater than \$100,000) |
|---|-----------------------------|-----------------------------|-----------------------------|

**ESTIMATED NET EFFECT ON
GENERAL REVENUE**

| | | |
|-------------------------------------|-------------------------------------|-------------------------------------|
| <u>(Greater than \$100,000)</u> | <u>(Greater than \$100,000)</u> | <u>(Greater than \$100,000)</u> |
|-------------------------------------|-------------------------------------|-------------------------------------|

| <u>FISCAL IMPACT - State Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
|--|-----------------------------|-------------------------------|--|
| INSURANCE DEDICATED FUND | | | |
| <u>Income</u> - Policy Amendment Filing Fees | \$8,000 | \$0 | \$0 |
| ESTIMATED NET EFFECT ON INSURANCE DEDICATED FUND | <u>\$8,000</u> | <u>\$0</u> | <u>\$0</u> |
| FIRST STEPS FUND | | | |
| <u>Income</u> - Family Cost Participation and Third Party Insurance Recovery | \$0 | Up to \$500,000 | \$2,000,000 to \$3,000,000 |
| ESTIMATED NET EFFECT ON FIRST STEPS FUND | <u>\$0</u> | <u>Up to \$500,000</u> | <u>\$2,000,000 to \$3,000,000</u> |
| FEDERAL FUNDS | | | |
| <u>Income</u> - Department of Social Services - Medical Services - Program Reimbursement | Greater than \$150,000 | Greater than \$150,000 | Greater than \$150,000 |
| <u>Cost</u> - Department of Social Services - Medical Services - Program Cost | (Greater than \$150,000) | (Greater than \$150,000) | (Greater than \$150,000) |
| ESTIMATED NET EFFECT ON FEDERAL FUNDS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal requires the state, subject to appropriations, to participate in the Infant and Toddler Program pursuant to Part C of the Individuals with Disabilities Education Act (IDEA)

SECTION 160.850 - The state shall provide early intervention services to eligible infants and toddlers. The Department of Elementary and Secondary Education (DESE) shall be responsible for implementing and promulgating rules for Part C of IDEA through the First Steps program.

SECTION 160.855 - DESE must maintain a statewide birth- to-age-three system of early intervention services and shall be administered through the First Steps program. The system shall compile data on eligible children and their families and shall include a comprehensive child-find and public awareness program.

SECTION 160.860 - Any funds appropriated to DESE for these services shall not be used to relieve a public or private source of their obligation to pay for services. Federal funds must be used whenever necessary to prevent a delay in the receipt of services. Providers shall submit requests for payment to the First Steps program and where applicable, the program shall seek reimbursement from public and private payers. The Department must promulgate rules concerning the cost and fees for family participation in early intervention services. Fees will not be applied to any family who is unable to pay and they will receive the services at no cost. In addition, certain services will always be provided to families at no cost. Any moneys generated by family participation in early intervention services shall be deposited in the "First Steps Fund".

SECTION 160.865 - The First Steps program may be required to pay insurance deductibles and co-payments for approved services as an incentive to access the family's insurance.

SECTION 160.870 - The "First Steps Fund" is created in the State Treasury and any moneys deposited into the fund shall be used solely for the First Steps program.

SECTION 376.1223 - Certain health care policies must provide coverage to reimburse the First Steps program for early intervention services provided to eligible children and their families. The coverage shall be limited annually to \$3,000 per child, with a maximum of \$9,000 over the three years that the child is eligible for the program. Early intervention services shall be provided pursuant to an individualized family service plan and will be deemed medically necessary. The First Steps program shall be considered the rendering provider of these services.

DESCRIPTION (continued)

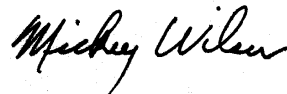
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Office of Secretary of State
 Administrative Rules Division
Department of Health and Senior Services
Department of Transportation
Department of Conservation
Office of State Treasurer
Department of Mental Health
Department of Insurance
Department of Social Services
 Medical Services
 Office of Early Childhood

NOT RESPONDING

Missouri Consolidated Health Care Plan



Mickey Wilson, CPA
Director
March 16, 2004